Aubrey McClendon, "Reckless" Energy Pioneer, Dies in Fiery Car Crash

Aubrey McClendon, the co-founder of Chesapeake Energy, died Tuesday morning in a fiery car crash when his Chevy Tahoe hit a concrete highway bridge support "at a high rate of speed," according to a spokesman for the Oklahoma City policy department. The spokesman added: "The vehicle was immediately engulfed in flames. It appears that speed was most definitely a factor in the fatality."

Many expressed publicly their condolences but none more eloquently than T. Boone Pickens, a friend of McClendon's for 25 years:

> He was a major player in leading the stunning energy renaissance in America. He was charismatic and a true American entrepreneur.
>
> No individual is without flaws, but his impact on American energy will be long-lasting.

At age 29, McClendon and friend Tom Ward invested their life savings into a company in 1983 that caught the fracking wave and rode it to the top. In 1989, they incorporated as Chesapeake Energy Corporation and drilled their first two wells in May of that year. Seeing the potential of fracking and horizontal drilling, McClendon and Ward drove the company forward. In the next three years, CHK stock was the most successful in the country, increasing in price by 274 percent from 1994 to 1997.

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In 2011, *Forbes* named McClendon to its 20-20 Club, comprised of eight CEOs of publicly traded companies who had delivered annualized returns of more than 20 percent a year over a 20-year period. Between 2009 and 2013, McClendon grew natural gas production from 5 million cubic feet per day to 2.5 billion thanks to his aggressive leasing of properties over massive deposits of oil and natural gas. At its peak, Chesapeake was the second-largest producer of natural gas in the country.

Chris Helman, an investigative journalist for *Forbes*, spent some time with McClendon in 2011 and concluded that his success depended not only on his timing but his risk tolerance. At the time Chesapeake's market capitalization was $17 billion, the company employed more than 12,000 people (not including land scouts scouring millions of deeds of trust to find the owners sitting on massive energy reserves), and McClendon's personal net worth exceeded $1.2 billion. Helman called him "the most admired — and feared — man in the U.S. oil patch." But added Helman, "He's also the most reckless, the alpha wildcatter with an off-the-charts risk tolerance."

McClendon saw his opportunity and he took it: With oil at $147 a barrel and natural gas at $14 per thousand cubic feet, he just knew that he had to obtain as many leases from as many landowners as quickly as he could in order to close out the competition. Development of those leases could come later.

He borrowed, and his company borrowed, billions in order to capture as much of the market as he could. But with the bankruptcy of Lehman Brothers in 2008, the leverage cut against him. Goldman

Sachs issued a margin call on McClendon, which he could meet only by selling nearly all of his stock in his company. The company also had to write down billions.

But he and his company survived to live another day. His board of directors issued him a pay package of $100 million including a $20 million stock grant. His company also paid him another $12 million for his personal collection of antique maps of the American southwest. In an unusual move, the board also allowed McClendon to invest his money in the same wells the company was drilling, giving him a 2.5 percent stake in every well. Bragged McClendon at the time: "You could say I'm the only CEO in America who truly participates alongside his company in the day-to-day business activity on the same basis as the company."

Between 2006 and 2011, Chesapeake paid out more than $9 billion in lease bonuses to owners of more than 900,000 leases covering nine million acres. This far exceeded the company's cash flow, and the borrowing began in earnest once again. Jeff Mobley, McClendon's investor relations spokesman, said, "If we live within [our] cash flow we'd miss the opportunity."

His tolerance for risk was matched, albeit briefly, with luck. In 2010, Chesapeake spent $1.7 billion, which it didn't have, to acquire 700,000 acres on top of the Eagle Ford Shale play in south Texas but was bailed out when he struck a deal with a Chinese energy developer who paid him $1.1 billion for a one-third interest plus pledged another $1.1 billion to help develop the field. As Helman explained: "Presto! Chesapeake got back nearly all its initial investment, hitched a ride on drilling costs, yet still managed to hang on to two-thirds of the play."

At the end of his stay, Helman heard McClendon exclaim: "We have found something that can liberate us from the influence of OPEC, that can put several million Americans back to work [and] liberate us from $4 gasoline!"

With natural gas setting records lows ($1.67 as of March 3), gasoline fetching less than $2 a gallon at the pump, and OPEC in tatters, who can argue the man's prescience?

His excessive risk tolerance, however, got him into trouble with his board and with American business magnate Carl Icahn when it was revealed that McClendon was borrowing personally from the same lenders who were loaning money to his company. The potential for conflict of interest was too much for the board, and McClendon was fired on April 1, 2013.

The very next day, just a mile from Chesapeake's main offices, McClendon started in again, founding America Energy Partners. By the end of 2014, he had over 600 employees working for him thanks to equity issues and debt commitments of $15 billion.

The day before his fiery end to his earthly existence, the Justice Department indicted McClendon for rigging the bidding process on some oil and gas leases in northwest Oklahoma while he was president of Chesapeake. The charges were similar to those brought a year earlier by the Michigan attorney general, which Chesapeake settled for $25 million. McClendon promptly issued a disclaimer:

> The charge that has been filed against me today is wrong and unprecedented. All my life I have worked to create jobs in Oklahoma, grow its economy, and to provide abundant and affordable energy to all Americans.
>
> I am proud of my track record in this industry and I will fight to prove my innocence and to clear my name.

The mainstream media, reflecting its bias against successful entrepreneurs such as McClendon, linked his death to the indictment, implying that he was so corrupt and so guilty of the charges levied by the Justice Department that he decided to take the easy way out and kill himself rather than face the charges.

Buried, however, in the report from the Oklahoma City police department was this: The investigation into his death won't be complete for at least two weeks, at which time any health issues that McClendon might have been suffering from will be fully explored and examined as a potential cause of his death. After all, the man was just 56, he had a wife and two grown children, and a brand new company. He was just getting started on the next chapter of his life.

What can safely be concluded, at the moment, is that McClendon died as he lived: recklessly. The police report said he wasn't wearing his seatbelt.

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